Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	WC Docket No. 05-337
High Cost Universal Service Support and Federal-State Joint Board on Universal Service	)))	CC Docket No. 96-45

Comments of Sacred Wind Communications, Inc. re: Reverse Auction

Introduction and Summary

Sacred Wind Communications, Inc. ("SWC") congratulates the FCC and the Joint Board for its attention to improving the universal service support system. SWC intends to address the several subjects and tentative conclusions dealing with reverse auctions for eligible telecommunications carriers ("ETCs") for which the FCC seeks comment. SWC believes that its particular operating circumstances and its particular customer base are comparatively unique among other rural incumbent local exchange carriers ("incumbent LEC" or "ILEC"), and further believes that its comments may contribute something of value to this discussion.

SWC is an incumbent LEC operating in northwestern New Mexico, whose customer base is nearly 96 percent Navajo Indian. Having purchased in December 2006 all of Qwest Corporation's copper wire network on Navajo lands in New Mexico, SWC began its operations with approximately 2,000 wireline residential customers and another 6,500-7,000 households in its territory with no home-based telecommunications service whatsoever – that is, a telephone penetration rate of around 22 percent. Due to the difficulties in acquiring land use permits and other rights of way authorizations across tribal and other

federally managed lands, and due to the considerable costs of constructing wireline systems across the 3,200 square miles of such territory, the wireline telephone formula applied to the Navajo Nation failed, and continues to fail, its population miserably. This is why SWC has developed plans, and has begun, to build a fixed wireless network to carry basic and advanced telecommunications and information services to its unserved customers.

Broadband is equally scarce on Navajo lands. Of the 2,000 residential and approximately 200 commercial customers that SWC acquired from Qwest, only 25 subscribe to DSL, all of whom are provided such service by Qwest Corporation and live on the periphery of a town adjacent to the Reservation within the requisite distance of a Qwest DSL module. SWC's fixed wireless network plans include making broadband available to every household we serve, for which SWC has received a USDA-RUS loan to do so.

Additionally, the customers SWC serves are generally lower income and extremely rural. For the Navajo Nation at large, the median family income is $11,885. Over 56 percent of Navajos live under the national poverty level, the highest poverty rate in the country even among American Indians.[1] SWC calculates that, among the unserved households, far higher poverty levels will be found, since the currently served Navajo customers, living proximate to rural towns and along state and interstate highways, tend to secure employment in nearby towns and represent for SWC the "lower hanging fruit" that it acquired.

There exist no wireline competitive local exchange carriers ("competitive LECs" or "CLECS") in this area; only mobile wireless carriers operate within or within sight of SWC's service territory and only one mobile wireless carrier – Smith Bagley, operating as CellularOne – possesses ETC designation. The preponderance of CellularOne's wireless facilities that may serve Navajo people

[1] http://www.indiancountryextension.org/extension.php?=6

in New Mexico, upon information and belief, serve the transient traffic along Interstate 40 between Albuquerque and Gallup, then continuing to the Arizona border; and along NM State Road 550, originating outside of Albuquerque and then reaching Bloomfield, NM through 80 miles of Navajo lands.

Two-thirds of SWC's customers live within a 1,000 square mile area north and south of Interstate 40, stretching 85 miles along Interstate 40 from the southeastern most end of SWC's territory to the Arizona border; and another third of its customers live within a 2,200 square mile area south and east of NM State Road 550, stretching 90 miles from its boundary at the Counselor Chapter, up to Bloomfield, NM, and then across the Bloomfield Highway west of Farmington, NM.

From SWC's extensive travels over Navajo lands in New Mexico and northern Arizona, SWC can vouch that very little mobile wireless facilities are found away from those highways and away from the rural towns, solely dedicated to serving the Navajo populace. In comparison to the approximate 6,000 Navajo households in SWC's 1,000 square mile territory between To'hajiilee, NM and the Arizona border along Interstate 40, there were recorded an average of 269,414 vehicles per week travelling that route along Interstate 40 in 1996.[2] Among the rural towns along that same route, only within Gallup, NM and Grants, NM are mobile wireless services found to be adequate. Gallup's population is 20,209 and Grants population is 8,806. [3]

It is SWC's contention that wireless carriers in this general area, including the one wireless CETC, have built wireless facilities to serve the tens of thousands of customers travelling daily over Interstate 40 and State Road 550, as well as the

[2] Division of Government Research, UNM, 2/13/1998: www.unm.edu/~dgrint/studies/speedlim.pdf

[3] NM Dept. of Transportation, Statewide Multimodal Transportation Plan, 2003.

thousands of customers who live in Gallup, Grants, Bloomfield and Farmington, NM – but not specifically to serve the more remote Navajo households.

In SWC's experience, many Navajo households subscribe to a mobile wireless telephone service that is egregiously inadequate in their locale. Countless customers have reported to SWC that they must walk, drive or ride on horseback a considerable distance from their home to pick up a signal in order to call out or to receive a pre-appointed call.

SWC raises the absence or inadequacy of other services in its study area to also make the point that the particular characteristics of this part of the country are quite similar to the conditions found in rural areas in general in 1996 by the FCC in its *Universal Service First Report and Order*, stating that "it [was] unlikely that competitive bidding mechanisms would be useful at that time because of the expectation that there would be no competition in a significant number of rural, insular, or high-cost areas …."[4] While SWC does not deny the value of competitive bidding in many areas of the country as a means to reduce the demands on the universal service fund, such bidding for SWC's study area could likely cause unintended, harmful consequences that we will discuss below.

SWC also has concerns with the CTIA, Verizon, and Alltel proposals described in the FCC's NPRM and suggests that our concerns, as well as perhaps those of other rural incumbent LECs, stem from the differences between the business model and mission of a larger carrier and those of a rural incumbent LEC. Specifically, CTIA recommends the use of small areas, such as counties, for the basis of any reverse auctions.[5] While such an area for a national mobile wireless carrier is considered small, a county for a rural incumbent LEC in the West could be far greater than its study area and pose for it a greater regulatory and economic burden to serve. SWC's territory, for example, encompasses *portions*

[4] Restated in the instant FCC NPRM, Section 3.
[5] Ibid., Section 5.

of five counties that, together, are greater in expanse than several Eastern states. SWC does not have the regulatory approval, the financing, or other corporate resources to serve much of the county lands outside of its study area. Verizon's proposal has merit in attempting to establish separate auctions for wireless and wireline ETCs and to "weed out" for USF support purposes multiple competitive ETCs,[6] and thus conserve USF funds, but might subject small rural incumbent LECs to a two-step auction process that could be even more economically burdensome for the small company. Verizon also recommends the use of wire centers as the basis for a reverse auction,[7] a structure that could engender "cherry picking" of more profitable areas within an incumbent LEC's study area and cause a spiraling of costs for the incumbent in its remaining less profitable areas. While the Alltel proposal would benefit SWC in part because of SWC's plans to provide broadband to every customer over the next four years, pursuant to its USDA-RUS loan design, Alltel's recommendation for a "multiple round, combinatorial auction"[8] would, again, pose a financial burden for the smaller incumbent LECs.

These several concerns beg the questions as to whether 1) separate reverse auctions be approved for wireless carriers and wireline carriers and 2) small rural incumbent ETCs be exempted from a reverse auction process.

In SWC's comments responding to the FCC's query on the whether competitive ETC's services substitute for incumbent LEC's services, SWC intends to make the case that the competitive LECs, particularly the mobile wireless LECs, do not offer identical services, do not have the same capital nor operating costs of an incumbent LEC, and do not share with the incumbent LEC its regulatory obligations to serve. In this response, SWC's comments will additionally address whether reverse auctions for ETCs are advisable and, if so, how are they to be implemented. SWC will contend that reverse auctions can be extremely

[6] Ibid., Section 6.
[7] Ibid., Section 7.
[8] Ibid., Section 9.

damaging to the smaller incumbent LECs, and either such smaller LECs within a specific profile should receive an exemption or have a waiver process instituted for them alone. But, if the reverse auctions are required of all, the rules of engagement should take into account a rural incumbent LEC's regulatory obligations to serve, its embedded investment, and its study area's particular characteristics that would distort the competitive neutrality and USF fund savings intent of a reverse auction. SWC also will contend that reverse auctions, if required for small rural incumbent LECs' study areas, be administered in such a way as to avoid making the reverse auction process for small rural incumbent LECs unwieldy and unaffordable for a company of their size.

Eligibility Requirements

SWC agrees that a bidder in the reverse auction process possess an ETC designation covering the relevant geographic area, if for no other reason than to conserve the funds available in the USF. If smaller rural incumbent LECs are required to participate in the reverse auction process, the relevant geographic area would need to be the rural incumbent LEC's study area, as we will discuss in the section treating geographic areas.

Single Winner versus Multiple Winners

SWC asks the FCC to consider the regulatory requirements and ability to serve of the various carriers that would be involved in a bidding process for rural study areas. Specifically in SWC's case, the rural incumbent LEC (SWC) does not own a mobile wireless license to operate in New Mexico and would likely find such a license expensive to acquire. (In fact, the current auction processes that the FCC manages, selling licensed spectrum to the highest bidder, appear to work at odds with a wireless carrier's ability to offer in a reverse auction the lowest possible charges for its services.) Nor does it possess a Competitive Local Exchange Carrier ("CLEC") license to operate outside of its study area if it were to bid on larger than a study area basis. Similarly, a mobile wireless ETC operating in SWC's general neighborhood does not have the state regulatory

authority to operate as an incumbent LEC, is not bound by the provider of last resort obligations imposed by the state regulatory commission on incumbents, and does not offer services that SWC considers identical or substantially substitutable for an incumbent LEC's basic services, as SWC explains in its comments to the FCC's NPRM on the substitutability of a wireless ETC's services.

SWC believes that any reverse auction bidding provided for small rural incumbent ETCs be limited to other wireline carriers and a separate auction be managed for wireless ETCs. In this manner, the FCC could make "apples to apples" comparisons between the serving territory of the wireless carrier versus the wireline carriers, the costs of each class of carriers' networks and operations, and the services that each class provides. Consequently, there would result two winning bidders in each auction – one wireless and one wireline. While SWC does not believe that any state or federal law requires that all customers have a choice between wireless or wireline services, we believe that the imposition of a limitation of service modes on consumers by virtue of a "winner takes all" auction, runs contrary to the FCC's fundamental pro-competition and public interest policies.

If, however, the FCC determines, as it has tentatively concluded,[9] that the "universal service support auctions should award high-cost support to a single winner," the FCC should create mechanisms for bidding ETCs to obtain the necessary wireless licenses, operating certification, and any other state or federal regulatory requirement to effectively respond to a "winner take all" bidding process.

SWC, for example, purchased all of Qwest Corporation's "last mile" wireline assets on Navajo lands in New Mexico in December 2006, and is now upgrading and expanding that network simultaneously with construction of a fixed wireless

[9] Ibid., Section 14.

local loop ("FWLL") network to reach 6,500-7,000 unserved Navajo households within its territory. SWC is constructing a considerable fixed wireless infrastructure to deliver home-based telecommunications services, including broadband, that are identical to the services provided over landline. Much of this fixed wireless infrastructure can be used to deploy a mobile wireless network, for which SWC would need a spectrum license that, up till now, has been quite expensive for a small carrier. Because of the sparsely populated areas in which we serve, and due to Navajo-related rights of way challenges, SWC does not believe that a national or regional mobile wireless ETC could replicate the tower network that SWC is constructing. In a "winner take all" scenario, the FCC would need to consider whether to facilitate SWC's acquisition of a mobile wireless license as a way to ensure that all of the Navajo customers have available home-based and mobile services, or conversely, facilitate the acquisition on the part of the wireless carrier of all of SWC's assets in order to 1) reduce the costs of infrastructure development that would be charged against the USF and 2) ensure that the winning bidder serve all of the remotely located customers that SWC now and in the future serves. It seems to SWC though, that awarding USF support to one wireless ETC and one wireline ETC is far more practical and continues to encourage some level of competition.

Method of Distributing the Subsidy

As SWC discussed in its comments to the FCC's NPRM on USF support for wireless ETCs, SWC maintains that the total USF support that a wireless ETC should receive is for its "last mile" costs and no higher than the per-line support for such costs paid to the incumbent LEC. Accordingly, SWC believes that the total amount of USF support paid in any given study area would be no more than that which would be paid to a single carrier were that carrier to serve every customer within that study area as long as USF support would be awarded to each carrier for only a customer's primary service. To explain: SWC's study area contains approximately 9,000 customers – approximately 2,400 served by SWC with home-based services (copper wire and FWLL) and 6,500 yet unserved by

SWC. The sole wireless ETC in the area serves an undetermined number of unserved homes in SWC's study area. In the homes yet unreached by SWC and now served by the wireless ETC, it can be stated that the customer's primary carrier is the wireless ETC. In the homes now served by SWC, it can be stated that it is likely that the customer's primary service is that provided by SWC. If the wireless ETC's "last mile" per-line support, or high cost loop support ("HCSL"), were capped at the incumbent ETC's HCLS, and the policy of restricting USF support to one carrier's service per household were to continue, then the total USF per-line support for a given study area would be no higher than if a single carrier were to operate as the only ETC in the study area. The qualifying ETCs – one wireline and one wireless – would be required to establish carrier or service primacy in each household.

Geographic Areas

First of all, SWC maintains that it be exempted, along with all similarly situated small rural incumbent LECs, from having to bid for its USF support in a reverse auction. Barring that exemption, as SWC commented in its responses to the FCC's NPRM on USF support for wireless ETCs, SWC maintains that the basis for any reverse auctions be the entire study area of the incumbent LEC. An incumbent ETC's current USF support is based on its per-customer average costs of providing service across its full study area. Its business plan, its network design and its financing, including investor financing, are based on serving the entire study area and not independently serving a higher or lower cost segment of the area. Were smaller segments of its territory to become the basis for reverse auctions, it is possible that some segments would attract competitive bids while other segments would repulse competition. In one incumbent ETC's instance in New Mexico, for example, its study area encompasses thousands of square miles and includes one town of approximately 2,500 population (Lordsburg, NM) and numerous scattered towns or villages of less than 500 population. The two closest towns to Lordsburg, NM -- Silver City and Deming,

NM, with populations of 10,000 and 15,000, respectively[10] -- are not in that incumbent's service territory, but are proximate and are linked to it by major interstate and a state highways. If study areas are not followed in the auction process, it is conceivable that a competitive bidder could target cities and towns along well trafficked highways and ignore higher cost, sparsely populated areas. The loss of its sole population center with a population of a mere 2,500 could place the incumbent ETC at risk of not being able to repay its financing obligations.

There is at least greater ease in basing a reverse auction on noncontiguous areas of an incumbent LEC's study area, but there still remain questions about efficiencies lost in so dividing the study area and the potential loss to an incumbent of a portion of its territory for which it has borrowed money to build infrastructure. As an example, SWC's service territory includes a northern exchange and a southern exchange – both on Navajo lands but separated by miles of Navajo reservation area served by Frontier Communications. SWC could establish separate costs of providing service in each of its exchanges for the purposes of a reverse auction, but would lose the cost and operational efficiencies of having one customer service office, one network planning office, one accounting office and one billing process that serve both noncontiguous areas with its study area. Quite simply, SWC's per-line costs would increase substantially if it were to lose in a bid one of its noncontiguous exchanges. SWC, therefore, agrees with the FCC's tentative conclusion that the wireline incumbent LEC's study area is the appropriate geographic area on which to base reverse auctions.

Universal Service Obligations

SWC's belief that the reverse auctions should be separated between wireline ETCs and wireless ETCs, and that one bid award at least be given to a wireline

[10] http://www.city-data.com/city/New-Mexico3.htm

ETC, is partly founded on an incumbent LEC's obligation to serve. Quite bluntly, SWC does not believe that carriers without a regulated obligation to serve will be able to satisfy the basic telecommunications needs of the greater subscriber base and will fall short of meeting the states' and FCC's public interest standards. Currently, for example, the one wireless ETC operating in and near SWC's study area provides mobile wireless services to many, but certainly not all, Navajo households. From the numerous comments that SWC receives from Navajo customers, only a subset of those customers with mobile wireless service can actually receive a signal anywhere near their home. Such customers are deprived of the privilege of placing calls and receiving calls of any nature from the place they occupy most of the day. In order for a mobile wireless company to offer service on par with the home-based services provided by an incumbent LEC, that wireless company would have to significantly increase its network infrastructure and develop a support system, including an outside maintenance work force, far beyond its current structure. If the FCC decides to pit in a reverse auction one or more wireless ETCs against wireline ETCs, the FCC most definitely should adopt and enforce a "specific local usage threshold" as queried in its instant NPRM and should include in that threshold the percentage of homes served, the quality of services, emergency service availability and pricing.

Also, the ability for a carrier without an obligation to serve to abandon any given service territory based on its business interests is seriously at odds with provider of last resort obligations. If such auction were based on an incumbent LEC's entire study area, and a competitive ETC were to be awarded sole USF support for wireline services, it should be assumed that the incumbent LEC (at least in the case of a rural LEC) would close its doors and either sell its operations to the winning bidder or somehow carve out and sell its more profitable assets to various companies. The issue of the new winning bidder's obligations to stay in business for the sake of its customers must then be resolved.

The questions that the FCC raises on this subject go to the heart of a regulatory matter that is so complex, and would require either timely cooperation and complicity from 51 state and capitol regulatory commissions or, in the alternative, federal preemption, that SWC deems it more practical to ensure that the incumbent LEC, with its provider of last resort obligations intact, participate in its relevant reverse auction, only competing in the auction against a wireline carrier fully able to replace its mission and willing to accept its regulatory obligations.

Lastly, SWC submits that any new obligation to serve include an expectation that broadband be included with its service offering. The importance of broadband to many consumers and businesses today probably is as high as voice communications were to individuals twenty years ago. SWC is less confident, however, that the FCC's tentative conclusions favoring minimal one-way broadband speeds of 768 kbps and 1.5 mbps would serve the interests of small rural incumbent LECs that are unable at this time to depend on fiber optic technology for growth. The USDA-RUS has approved a loan design and has authorized a $70.18 million loan for SWC to expand telecommunications services to 7,000 unserved Navajo households, including broadband speeds at or above 200 kbps available to each household. That loan also includes newly introducing broadband to the approximately 2,200 residences that are served over copper wire and did not have broadband services available at the time of SWC's purchase of its network. In order to meet the FCC's higher broadband expectations, SWC would have to redesign its infrastructure to include additional tiers of radio antennae to allow for more capacity over its network. Fiber optic placements to "future proof" our network unfortunately is not a viable or reliable option on Navajo lands at this time. SWC would therefore ask the FCC for a reasonable amount of time for SWC to design, fund, and install additional equipment on its tower infrastructure.

While SWC requests that the FCC exempt SWC and other similarly situated rural incumbent LECs from the reverse auctions for USF support, SWC does not ask

for an exemption from any FCC action to increase broadband capacities to our customers other than for the time to do so as mentioned here.

Reserve Prices

SWC maintains that the correct geographic area serving as the basis of any reverse auctions is the incumbent LEC's study area. With that, the logical reserve price, or maximum subsidy level allowed in the auction, would be the current per-line level of USF support now provided to the incumbent. Any amount less than that would not fairly represent the current costs of serving the relevant customer base using contemporary technology or means, and anything more than that would contradict the FCC's attempts to maintain or reduce current levels of USF spending. As SWC has also recommended in these comments, if the auctions produce one winning wireless ETC and one winning wireline ETC, each receiving support for only the customers they serve as a primary carrier, and the wireless ETC would receive no more than the incumbent ETC's per-line HCLS support amount, then the total amount of USF support for any given study area should be no more than what the USF covers today.

SWC hopes that any such reserve price set by the FCC will not remain as a ceiling for a winning ETC's future years, but will be adjusted as appropriate as an ETC continues to upgrade and expand its network to serve its customers. SWC believes that attempts to set forward looking costs for each study area would create too much of a burden for the FCC and recommends its current use of historical costs even if that system is flawed in other ways. One exception to the use of forward looking costs could be made for ETCs petitioning for USF support based on forward looking costs where such ETCs are embarking on major system upgrades or expansions, the prolonged use of historical costs for its USF support would for them be financially disadvantageous.

Auction Design

For several of the points described by the FCC in its discussion of an auction design, SWC maintains that smaller rural incumbent LECs be exempted from requirements that they participate in a reverse auction, or that they be allowed an exemption through a waiver process. The more complex the process, the more likely the process will be beyond the financial resources of the smaller rural incumbent LECs to participate adequately. A simultaneous multiple round ("SMR") process, while successful in raising revenues from a sale of spectrum, could easily disadvantage the financially weaker rural incumbent ETCs by prolonging a process that requires their legal, accounting, and engineering input. "Combinatorial" bidding for a small rural incumbent LEC might add to the complexity of the process by either increasing the incumbent's risk of losing its USF support in another round of bidding, this time to a larger outside source with greater financial reserves who may be able to bid on a package of study areas, or simply place more cost burden on the rural LEC by now having to consider the regulatory and added network cost requirements of pursuing a bid for USF support for another incumbent ETC's territory. Multiple round bidding processes seem to advantage larger companies over the small.

With that said, there may appear to be some benefit to a rural incumbent ETC and customers if that rural incumbent ETC were able to bid on USF support to serve the customers in another incumbent ETC's service territory using more appropriate technology. If such USF support were awarded exclusively to one winning wireline ETC, however, the same questions can be raised as before about the regulatory means to allow one rural incumbent ETC to exclusively receive USF support to provide services to customers in another incumbent LEC's territory: 1) How to facilitate the relevant state PUC's awarding of a CLEC license in a timely fashion?; 2) How to ensure that the losing incumbent's obligation to serve is transferred to the winning ETC?; 3) How to protect customers in situations where CLECs' rates in some states are not regulated?

Within the Navajo Reservation and near reservation lands in New Mexico, Arizona and Utah, outside of SWC's territory, there are many thousands more Navajo households that do not have telephone service or electricity. SWC would be interested in finding a way to receive adequate USF support to introduce its technological solution to serve many of those customers, but is not encouraged to do so due to the lengthy CLEC and ETC certification procedures in place and the current FCC rules that limit USF support to the incumbent ETC's support levels. Given SWC's limited financial resources and our firm belief that a reverse auction be built around an incumbent LEC's study area, the best way for SWC to expand benefits of its business model to other Navajo lands is not to contend with the incumbent LECs in those other study areas, but to negotiate with them and the relevant state regulatory commissions to incorporate specific *unserved customers* in one incumbent LEC's service territory into the service territory of another incumbent LEC who may be better able to serve them.

Frequency of Auction

SWC again maintains that smaller rural incumbent ETCs be exempted from having to participate in any auction process to serve its customers affordably. An uncertainty about the incumbent LECs' future as a USF-supported carrier could easily add more difficulty for the rural incumbent LEC in its acquisition of outside investment, private bank financing, or even USDA-RUS loan approvals. SWC observes that the spectrum auctions for wireless carriers are a one-time affair, though recognizing that those spectrum auctions do not involve the use of USF funds and the consideration of conserving those funds. If SWC were required to participate in a reverse auction, however, the scheduling of such auctions every five-years makes some sense as long as certain auction guidelines are instituted that would provide a modicum of financial planning stability for an incumbent carrier with lesser profit-making potential than an unregulated or price capped competitor: 1) the study area of an incumbent should serve as the basis for the USF funding; 2) one winning bid award of USF support be given to a wireline ETC and a second winning bid award be given to a wireless ETC; 3) the

obligation to serve be kept intact – that is, be transferred to any wireline ETC acquiring an incumbent ETC's customers; 4) the reserve "price" of an auction be the incumbent ETC's per-line USF support; 5) the FCC would facilitate regulatory actions that would encourage the incumbent ETC, if it should lose its USF funding through the bidding process, to transfer assets to the winning non-incumbent ETC.

Broadband Reverse Auction Pilot Program

SWC congratulates the FCC for the work dedicated to this issue and agrees with it that reverse auctions applied to USF support will introduce complexities to FCC processes and to current ETCs planning that none of us have experienced. SWC would, therefore, contend that a pilot program be established to test the benefits and consequences of a reverse auction process.

Anticipating regulatory turmoil if less or even more of an incumbent LEC's study area is used as the basis for a reverse auction, SWC recommends that one pilot program involve an entire study area of a national or regional incumbent LEC. That pilot program should involve the awarding of USF support to one wireline ETC and to one wireless ETC, whether by way of a single reverse auction or multiple staged auction. The use of less than a study area for the test could encourage "cherry picking" of the lower cost or higher profit areas within a study area; and, the use of more than a study area might advantage a wireless carrier over a wireline carrier, favoring the cost model of wireless ETCs' interstate networks while ignoring the selective customer serving patterns we see in Western states. A second pilot program could be established to test a reverse auction solely in a rural study area, but should be done in an area served today by a larger incumbent LEC rather than risking the collapse of a smaller rural LEC.

SWC recommends that the pilot programs be managed by the FCC if only to establish consistency in its analysis of results and subsequent recommendations

and to distance the pilot programs from relationships that carriers may have established at the local level.

SWC believes that a broadband component should be added to these pilot programs by simply including specific incremental costs of providing broadband to the USF-supportable services that the bidders in the pilot programs would compete for. If one wireline ETC and one wireless ETC receive USF funding in the pilot program, as SWC recommends in this set of comments, the FCC should receive an adequate base of measurements from each as to how each carrier would expand broadband to its customers and how much incremental USF funding above the incumbent LEC's current per-line support would be necessary to do so. It appears that SWC's recommendation is much in line with AT&T's broadband pilot program proposal as it is understood in Mr. Joel Lubin's remarks at the Congressional hearing on: Universal Service Fund: Assessing the Recommendations of the Federal-State Joint Board [11]

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[11] http://76.12.79.232/webmasterpro/published/media/Testimony_JoelLubinTESTIMONY.pdf